

SB

268

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAY 08 2002
SENATE FINANCE

DATE: 2/13/02

FURTHER:

DATE TURNED IN TO OFFICE: 9 May 2002

Finance Committee considered **SENATE BILL NO. 268**
SB 268 GUARANTEED REVENUE BONDS FOR VETERANS

"An Act relating to the issuance of state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Governor	11/20/01	1.5		#1
Revenue	1/29/02		✓	#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

MAY 08 2002

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 268
(S) Publish Date: 2/01/02

Revision Date/Time (Note if correction): _____ Dept. Affected: OOG
Title An Act relating to the issuance of BRU Elections
revenue bonds by AHFC for veteran mortgages Component Elections
Sponsor Rules
Requester Governor Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Gail Fenumiai, Election Programs Specialist
Division: Division of Elections
Approved by: Lieutenant Governor Fran Ulmer
Agency: Office of the Lieutenant Governor

Phone 465-3935
Date/Time 11/20/01 3:36 PM
Date 11/20/2001

FISCAL NOTE

REPORTED OUT

MAY 08 2002

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 268
(S) Publish Date: 2/01/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Authorizing a public vote on state-guaranteed BRU Alaska Housing Finance Corp
veterans mortgage bonds Component Operations
Sponsor Rules Committee
Requester Governor Component No. 110

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes a statewide public vote on \$500 million in revenue bonds to finance the Veterans Mortgage Program (VMP). Alaska is one of five states in the nation that established this program under the federal tax code. AHFC administers the program on behalf of the state.

Costs associated with the issuance of these bonds are anticipated to be covered with annual operating budget authorizations. Anticipated costs will be related to voter information dissemination about the bonds and the program. No additional budget authorization is necessary for these activities.

If approved by voters, bond issuances in the future will be done based on loan demand.

Prepared by: John Bitney, Legislative Liaison
Division AHFC
Approved by: Larry Persily, Deputy Commissioner
Agency Department of Revenue

Phone 330-8445
Date/Time 1/29/02 1:32 PM
Date 01/29/2002

SENATE FINANCE
COMMITTEE
Amendment Number: #1
Bill Number: SB 268
Sponsor: LEMAN Date: 5/7/02
Logged In By: Robin

22-GH2034VA.1
Cook
5/4/02

AMENDMENT

OFFERED IN THE ~~SENATE~~ ^{SENATE}
TO: ~~SENATE~~ SB 268

BY ~~SENATE~~ ^{Leman}

- 1 Page 2, line 24:
- 2 Delete "the first general"
- 3 Insert "a special election to be held on the date of the first primary"
- 4
- 5 Page 2, line 25:
- 6 Delete "and"
- 7 Insert ". The special election shall be held in substantial compliance with the election
- 8 laws of the state, including absentee voting and preparation, publication, and mailing of an
- 9 election pamphlet under AS 15.58. The election pamphlet must comply with
- 10 AS 15.58.020(7). The question placed before the qualified voters of the state at the special
- 11 election"

SENATE FINANCE COMMITTEE
05/07/2002 COMMITTEE ACTION

Bill Number	SB 268		
Amendment	#1		
Motion	Amend		
<u>Motion by</u>	Leman		
<u>Objection by</u>	Removed		
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Austerman			
Senator Green			
Senator Hoffman			
Senator Leman			
Senator Olson			
Senator Ward			
Senator Wilken			
Co-Chair Donley			
Co-Chair Kelly			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Withdrawn		



Headquarters
4000 Boniface Parkway
Anchorage, Alaska
907-338-6100

Mailing Address
PO Box 101020
Anchorage, AK 99510-1020

Internet Web Site
<http://www.ahfc.state.ak.us>

April 10, 2002

Senator Pete Kelly, Co-Chairman
Senate Finance Committee
State Capitol Building
Juneau, Alaska

In Re: SB 268 – Revenue Bonds for Veterans Mortgage Program

Dear Senator Kelly:

This letter is to request your consideration for hearing SB 268, an Act authorizing state-guaranteed bonds for the Veteran's Mortgage Program, and also to provide some background information regarding the program.

SB 268 provides for a vote of the people at the next general election on the question of the State authorizing the guarantee of \$500,000,000 of Alaska Housing Finance Corporation bonds for qualifying veterans. A total amount of \$2,200,000,000 of State-guaranteed veterans bonds has been authorized to be issued by the Corporation by four state-wide voted bond propositions. The affirmative state-wide votes for these bond propositions occurred in 1982, 1983, 1984, and 1986.

Although the bonds are general obligations of the State of Alaska which must be voted on, the issuance of the bonds has not affected the State's credit in any way. The rating agencies consider that for practical purposes these are not to be counted against the State's bond capacity because the bonds are fully supported by mortgages of the Corporation. These mortgages are largely guaranteed by federal agencies, such as the Veterans Administration.

AHFC, in fact, closed on a \$50,000,000 Veterans Mortgage Bond sale last week. These bonds achieved a "AAA" rating. A copy of the rating provided by Moody's Investor Services is being sent with this letter.

Bonds under this program provide funds for low-interest home loans to qualified veterans. A qualified veteran is someone who has served in active duty prior to January 1, 1977 and has not been discharged more than 30 years prior to the date of loan application.

Alaska receives favorable treatment under the Internal Revenue Code since it issued guaranteed veterans bonds between January 1, 1979 and June 22, 1984 in large amounts. Annual issuance of the average of those years is permitted under the Code. However, because of the limitations on the qualifications for veterans, fewer and fewer loans are made each year as number of qualified veterans diminishes.



"HOUSING FOR ALASKANS"

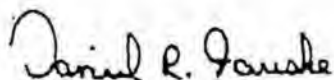


Senator Pete Kelly, Co-Chairman
Senate Finance Committee
April 10, 2002
Page 2

Unless Congress acts to extend the qualifications for veterans to men and women who have served in more recent years, it is anticipated that the authorization for bonds in SB 268 will be the last request for this program.

I hope this description provides a sufficient summary for considering a hearing on the legislation. If any further information is needed, please do not hesitate to contact me immediately.

Sincerely,



Daniel R. Fauske, CEO/Executive Director
Alaska Housing Finance Corporation

enclosures

jbitney

From: Dan Fauske [dfauske@ahfc.state.ak.us]
Sent: Wednesday, April 03, 2002 11:36 AM
To: 'JOHN BITNEY'
Subject: FW: Alaska Housing Finance Corporation

-----Original Message-----

From: Moody's Investors Service [mailto:epi@moodys.com]
Sent: Tuesday, March 19, 2002 1:30 PM
To: dfauske@ahfc.state.ak.us
Subject: Alaska Housing Finance Corporation

MOODY'S ASSIGNS Aaa RATING TO \$50 MILLION ALASKA HOUSING FINANCE CORPORATION
COLLATERALIZED BONDS 2002 FIRST SERIES (VETERANS MORTGAGE PROGRAM)

NEW YORK, March 19, 2002 -- Moody's Investors Service has assigned the rating of Aaa to the \$50 million Alaska Housing Finance Corporation Collateralized Bonds, 2002 First Series (Veterans Mortgage Program). This rating reflects Moody's view of the strong financial condition of the bond program and the Corporation, and the sound loan portfolio. Proceeds from the current bond issue will be used to fund single-family mortgage loans for veterans in the State of Alaska. The 2002 Bonds are General Obligations of AHFC and the State of Alaska and will be primarily secured by single-family residential mortgage loans that are either guaranteed by the Department of Veterans Affairs or Rural Housing Service or insured by the Federal Housing Administration or private mortgage insurance. The bonds are the third issuance under the Corporation's trust indenture dated October 1, 1999 and are on parity with approximately \$180 million in outstanding bonds. The outlook for the bond program is stable.

Moody's believes that the program's strong initial financial position is expected to be maintained due to large infusions of Corporation funds. The Corporation will fund a 2% debt service reserve and a minimum 10.7% overcollateralization reserve (OCR) for this issue from unrestricted funds of the Corporation. These contributions bring the effective program asset-to-debt ratio up to 1.127, an amount sufficiently high to allow the program to absorb significant losses due to loan defaults. While the earnings of the OCR are not required to be retained within the program, the investment income derived from the debt service reserve contribution coupled with loan revenues should allow the program financial position to experience sound growth throughout its life.

We also find additional strength in this bond program derived from the Aa2 rated general obligation pledge of the Corporation. The Corporation's financial profile is amongst the strongest of all state housing agencies nationwide and Moody's expects it to remain so for the near future. The Corporation's \$1.7 billion combined fund balance as a percent of bonds outstanding is currently 57.24%. Consistent net revenue strength over the past

few years particularly within the general account have allowed the Corporation to continue this strong growth path notwithstanding some other outstanding risks to fiscal stability.

The Corporation's large and diverse management staff provides a sound base to manage its \$4.7 billion of assets. At approximately 310 staff members, among the largest nationwide, the Corporation is fully capable of managing the risks inherent in running a housing agency. Of particular note, the Corporation employs a separate Internal Audit department to maintain additional oversight of asset and financial management. Additionally, Corporation staff publishes high quality and detailed disclosure for investment surveillance providing greater insight into Corporation operations.

Moody's has determined that the likely combination of insured, guaranteed and low loan-to-value (LTV) loans in the portfolio provides a sound asset base for the program's future performance. As of December 31, 2001, 50% of the previous veterans programs loans have been covered by federal guarantees from the Veterans Administration, providing a secure barrier from excessive losses due to loan defaults. An additional 23% of the portfolios are uninsured loans with LTV's below 80% mitigating the potential for large loan losses. The remainder of the loans are divided between high quality private mortgage insurers (20%) and the Federal Housing Administration Insurance (7%). In light of past Veterans Programs of the Corporation, it is expected that the remaining loans to be originated under this specific program shall retain a similar composition.

The bonds are also guaranteed by the State of Alaska, which is currently rated Aa2. However, the current Aaa rating assignment on the 2002 bonds is independent of this guarantee.

The Alaska Housing Finance Corporation is a non-stock, public corporation and government instrumentality of the State of Alaska established for the purpose of providing residential mortgage loan financing for individuals of low to moderate income. As of June 30, 2001, the Corporation had \$3.0 billion of debt outstanding, nearly all of which is rated by Moody's.

OUTLOOK:

The outlook for the program and the Corporation general obligation rating is currently stable.

Key Facts (As of June 30, 2001):

Type of Obligation: General Obligation of the Corporation

Parity bonds outstanding: \$180 million

Corporation combined fund balance: \$1.7 billion

Corporation combined fund balance as a % of bonds outstanding: 57.2%

Corporation unrestricted general account balance: \$537.4 million

Corporation unrestricted general account balance as a % of bonds
outstanding:
17.8%

Corporation net operating revenue as a % of gross operating revenue: 27.37%

ANALYSTS:

Paul Nolan, Analyst, Public Finance Group, Moody's Investors Service
Florence Zeman, Backup Analyst, Public Finance Group, Moody's Investors
Service

CONTACTS:

Journalists: (212) 553-0376
Research Clients: (212) 553-1625

05-01-02

15:00

From: Wohlforth, Vassar, Johnson & Brecht

8872780000

T-778 P.002/008 P-171

WOHLFORTH, VASSAR, JOHNSON & BRECHT

A PROFESSIONAL CORPORATION

JULIE J. BRECHT
 CHERYL RAWLS BROOKING
 CYNTHIA L. CARTLEDGE
 ROBERT W. JOHNSON
 BRADLEY E. MEYER
 KENNETH S. VASSAR
 MARSHALL T. WHITE
 ERIC E. WOHLFORTH

ATTORNEYS AT LAW
 300 WEST 5TH AVENUE, SUITE 900
 ANCHORAGE, ALASKA 99511-2648

TELEPHONE
 907.375.6401

FACSIMILE
 907.375.6002

WEBSITE
 www.wvjb.com

May 1, 2002

Dan Fauske
 CEO/Executive Director
 Alaska Housing Finance Corporation
 4300 Boniface Parkway
 Anchorage, AK 99504

Re: Use of Special or Primary Election for Voter Approval of Veterans Bonds
 Authorization; Our File No. 3598.0001

Dear Mr. Fauske:

At your request, I have reviewed the Alaska Constitution and statutes to determine whether the voter approval required for the issuance of veterans bonds by the Corporation can be obtained at a primary election. I have found no State Constitution provision which would prohibit this; however, under present Alaska law, it appears that a primary election would not be available for this purpose. The question can be placed before the voters at a general election or at a special election, but placing it before the voters at a primary election would require some amendments to the laws relating to primary elections.

Article IX, Section 8, of Alaska's Constitution states, "No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question." I have found no other provision of the Constitution that addresses the question you have asked. It goes without saying that voter approval under this section must be obtained at an election in which all voters have an opportunity to vote and have equal access to the ballot; however, there is nothing in this section which would require that such an election be a "general" election.

In fact, AS 15.15.030(11) implements this Constitutional provision by stating, "When the legislature by law authorizes a state debt for capital improvements, the director shall

Dan Fauska
May 1, 2002
Page 2

place the question of whether the specific authorization shall be ratified by placing the ballot title and question on the next general election ballot, or on the special election ballot if a special election is held for the purpose of ratifying the state debt for capital improvements before the time of the next general election." Although this language refers to "debt for capital improvements," I believe that it was intended to apply to all voter approvals required under Article IX, Section 8, of the State Constitution. Thus, under state law, the vote may be conducted at a special election as well as a general election.

This is reinforced by the State Bonding Act at AS 37.15. AS 37.15.015(a), in particular, sets forth certain notice requirements which must be satisfied before "a general or special election in which a bond issue is offered for ratification."

Before a primary election could be used as the election for gaining voter approval of veterans bonds, amendments to the Election Code and to the State Bonding Act would be necessary to clearly permit the use of primary elections for this purpose. Even with such amendments, however, the use of a primary election to determine a question of general voter interest may be problematic, particularly if the primary election is a "closed" election in which certain ballots are restricted to voters of certain party affiliations. It seems that some extraordinary precautions would be necessary to assure that voters were aware that a question of general voter interest was being included in an election which is primarily intended to serve a party interest and that all voters have access to a ballot regardless of party affiliation and regardless of their intention to vote for any party's primary candidates.

Although it may be possible to amend the statutes to permit such a primary election to be held, I would advise that the question be presented at a general or special election as contemplated under current law. Current law, for example, would permit a special election to be held at the same time as the primary election, which could reduce the cost of the special election and which could be accomplished without the need for a statutory amendment. Please call if you have any questions.

Sincerely,

WOHLFORTH, VASSAR,
JOHNSON & BRECHT



Kenneth E. Vassar



TONY KNOWLES
GOVERNOR
governor@gov.state.ak.us

P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532
www.gov.state.ak.us

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 29, 2002

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear President Halford:

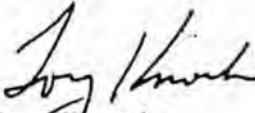
Alaska has the highest per capita percentage of veterans of any state in the nation. We must send the clear message that our state recognizes and appreciates those who have served. This bill I am transmitting is one in a package of legislation I am introducing this year to offer tribute to our veterans. It continues the state's history of authorizing bonds for guaranteed veteran housing loans.

The State of Alaska is one of only five states that receives favorable treatment under the Internal Revenue Code for guaranteed veterans bonds. This program is designed to provide the lowest possible interest rates to our veterans, without any income limitations.

The accompanying bill is the first step in allowing the state to continue to take advantage of this worthwhile program. It would provide for a statewide vote at the next general election on authorizing \$500 million in Alaska Housing Finance Corporation (AHFC) bonds for qualifying veterans. This would be the fifth such bond approval; the voters authorized a total of \$2.2 billion in state-guaranteed AHFC veterans bonds in four separate elections between 1982 and 1986. The AHFC has issued nearly all of those bonds, requiring a new authorization.

The need for continuing this guaranteed housing loan program for veterans may well increase. Congress is considering expanding the current Internal Revenue Service Code definition of "qualified veterans," which now limits participants to those who served in the military before January 1, 1977 and were honorably discharged within the last 30 years. I support extending the program to veterans who have served in more recent years. If this effort succeeds, the veteran's mortgage program in this state would see a dramatic increase in home loans to qualifying individuals -- all the more reason to allow this question to be placed on the statewide ballot.

Sincerely,


Tony Knowles
Governor

SB 268-GUARANTEED REVENUE BONDS FOR VETERANS
SENATE FINANCE COMMITTEE

SIGN-IN

NAME: John Birkney Subject/Bill No: SB 268
Co./Dept./Title: AK Housing Finance Corp. Phone: 330.78145
Address: 4300 Boniface Parkway, Anchorage Zip: 99510
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions